



Washington State Auditor's Office

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Accountability Audit Report

Freeland Water and Sewer District

Island County

For the period January 1, 2012 through December 31, 2014

Published April 25, 2016

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Washington State Auditor's Office

April 25, 2016

Board of Commissioners
Freeland Water and Sewer District
Freeland, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for District operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the District's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

A handwritten signature in blue ink that reads "Jan M. Jutte".

JAN M. JUTTE, CPA, CGFM
DEPUTY STATE AUDITOR
OLYMPIA, WA

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AUDIT SUMMARY

Results in brief

In most areas we audited, District operations complied with applicable requirements and provided adequate safeguarding of public resources. The District also complied with state laws and regulations and its own policies and procedures in the areas we examined.

However, we noted certain matters that we communicated to District management in a letter dated April 14, 2016, related to annual report filing. We appreciate the District's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of the Freeland Water and Sewer District from January 1, 2012 through December 31, 2014.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the District's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Accounting/financial reporting
- Billings/receivables
- Open public meeting minutes
- Payments/expenditures
- Fee policy compliance
- Lien policy and procedures

STATUS OF PRIOR AUDIT FINDINGS

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the Freeland Water and Sewer District. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: 01/01/2009 – 12/31/2011	Report Ref. No: 1009507	Finding Ref. No: 1
Finding Caption: Freeland Water and Sewer District did not comply with its inter-local agreement with Island County, increasing the risk of unallowable use of restricted funds.		
Background: The District did not have an adequate review process to ensure it requested reimbursement for allowable expenditures in accordance with the inter-local agreement, or that invoices submitted included adequate support to show they were only for the sewer project.		
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>Freeland Water and Sewer District staff of two, as well as the Commissioners review all expenditures every month charged to grant programs.</i>		

Audit Period: 01/01/2009 – 12/31/2011	Report Ref. No: 1009507	Finding Ref. No: 2
Finding Caption: The Freeland Water and Sewer District received grant funds from both Island County and the state of Washington Department of Ecology for the same purchase of land resulting in additional costs for the District.		
Background: Those involved with monitoring the use of grant funds did not use the resources available to ensure compliance with the grant requirements.		
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>Freeland Water and Sewer District paid back what was owed to Island County.</i>		

Audit Period: 01/01/2009 – 12/31/2011	Report Ref. No: 1009507	Finding Ref. No: 3
Finding Caption: The District did not follow state law when it charged ready to serve fees to owners of unimproved land.		
Background: The District believed, although it owned the HHWS, the water system could still operate as a private system under the UTC and was not regulated by state law. Therefore, it continued to charge ready to serve fees on unimproved properties.		
Status of Corrective Action: (check one) <div> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid </div>		
Corrective Action Taken: <i>Freeland Water and Sewer District no longer charges a stand by fee, and repaid funds owed to those individuals we were able to contact.</i>		

INFORMATION ABOUT THE DISTRICT

The Freeland Water and Sewer District is a municipal corporation formed in 1964. The District includes both commercial and residential customers with 464 metered connections and a core capacity of 550 connections. On July 1, 2007, the District purchased Harbor Hills Water System for \$1.2 million. The Harbor Hills Water System has 394 metered connections and a core capacity of 550 connections.

An elected, three-member Board of Commissioners governs the District. The District has one Administrative Assistant who administers the District's operations. In addition, the District contracts its water maintenance services to a certified operator. In 2014, the District operated with revenues of approximately \$860,000.

Contact information related to this report	
Address:	Freeland Water and Sewer District P.O. Box 222 Freeland, WA 98249
Contact:	Terri Campbell , Financial Accounting Manager
Telephone:	(360) 579-1535
Website:	www.freelandwsd.com

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Freeland Water and Sewer District at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Deputy Director for Communications	Adam Wilson Adam.Wilson@sao.wa.gov (360) 902-0367
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov